

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7437

BILL NUMBER: HB 1567

NOTE PREPARED: Jan 12, 2013

BILL AMENDED:

SUBJECT: Property Tax Deduction for Farm Security Items.

FIRST AUTHOR: Rep. Morrison

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides a property tax deduction, not to exceed \$25,000 in assessed value (AV) per year, relating to secure storage of fertilizers and pesticides that could be used for terrorism or illegal drug manufacturing. It specifies that the deduction is available for certain chemical additives and for property that is: (1) installed or placed in service or added after March 1, 2013; and (2) used to provide security for a fertilizer or pesticide.

The bill provides that, in addition to filing a certified application statement, a person claiming the deduction must file a certification by the state chemist that the property for which the deduction is claimed has been installed or placed in service.

Effective Date: Upon passage.

Explanation of State Expenditures: *DLGF:* To obtain the deduction, a person must file a certified statement with the county auditor on forms prescribed by the Department of Local Government Finance (DLGF). The DLGF should be able to prescribe the requisite forms given its existing level of budget and resources.

State Chemist's Office: Under current law, the AV of any real property improvements made to comply with the fertilizer storage rules adopted by the State Chemist is entitled to a property tax deduction. The State Chemist's office has to certify the improvements, and it currently processes about five or six a year. A typical application takes about three to four hours to process and, assuming that the certification process would be similar to the current method, the State Chemist Office should be able to accommodate the additional applications.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* This proposal may result in an increase in property tax deductions beginning with taxes payable in CY 2015. Additional deductions reduce the assessed value tax base, causing a shift of the property tax burden from the taxpayers receiving the deduction to all taxpayers in the form of an increased tax rate. The total amount of the deduction and the potential tax shift is currently indeterminable.

An increase in tax rates could result in additional exposure to the tax caps. As a result, revenues for local civil taxing units and school corporations could decline. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

Background: This bill provides a property tax deduction for personal property and real property improvements (fences and equipment) placed in service after March 1, 2013, that is used to provide security for a fertilizer or pesticide by restricting access to the material, by conducting surveillance, or by detecting unauthorized access. The AV of a chemical added to the fertilizer or pesticide in order to deter its theft also qualifies for the deduction. The total annual deduction may not exceed \$25,000 per facility.

To obtain the deduction, a person must file a certified statement with the county auditor. In addition to the certified statement, the person must file the certification by the State Chemist that the property for which the deduction is claimed has been installed or placed in service. The local assessor would verify the statement.

State Agencies Affected: Department of Local Government Finance; State Chemist's Office.

Local Agencies Affected: County auditors; Local assessors; Local civil taxing units and school corporations.

Information Sources:

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